

Cohort Default Rates



What is a cohort default rate?

A cohort default rate is the percentage of a school's student borrowers who enter repayment on certain Federal Family Education Loan (FFEL) Program and/or William D. Ford Federal Direct Loan (Direct Loan) Program loans during a particular fiscal year (FY) and default or meet other specified conditions before the end of the next fiscal year¹. The cohort default rate may be an FFEL Program cohort default rate, a Direct Loan Program cohort rate, or a Dual-Program cohort rate depending on the type or types of student loans that comprise the rate.

An FFEL Program cohort default rate² is the cohort default rate for schools whose students have **only** FFEL Program loans entering repayment during a particular fiscal year. It is the percentage of a school's borrowers who enter repayment on certain FFEL Program loans during a particular fiscal year and default within the fiscal year in which the loans entered repayment or within the next fiscal year.

A Direct Loan Program cohort rate³ is the cohort rate for schools whose students have **only** Direct Loan Program loans entering repayment during a particular fiscal year. It is the percentage of a school's borrowers who enter repayment on certain Direct Loan Program loans during a particular fiscal year and default or meet **other specified conditions** within the fiscal year in which the loans entered repayment or within the next fiscal year.

A Dual-Program cohort rate⁴ is the cohort rate for schools whose students have **both** FFEL Program and Direct Loan Program loans entering repayment during a particular fiscal year. It is the percentage of a school's borrowers who enter repayment on certain FFEL Program and Direct Loan Program loans during a particular fiscal year and default or meet **other specified conditions** within

Q . What is the fiscal year?

A . The federal fiscal year begins on October 1 of a calendar year and ends on September 30 of the following calendar year.

¹ For schools with 29 or fewer borrowers entering repayment during a fiscal year, the data is averaged over a three year period. Please refer to page 9 for additional information on the averaging process.

² 34 CFR § 668.17(d)

³ 34 CFR § 668.17(e)

⁴ 34 CFR § 668.17(f)

the fiscal year in which the loans entered repayment or within the next fiscal year.

Other specified conditions: For non-degree granting proprietary schools only, borrowers who have received Direct Loan Program loans are treated as defaulted loans in the schools' rates if, for 270 days during the cohort period in question, the borrowers are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan.

A school does not select whether it has an FFEL Program cohort default rate, a Direct Loan Program cohort rate, or a Dual-Program cohort rate. The rate is determined on the basis of the types of loans made to students attending the school that enter repayment in a given cohort period.

**Note**

The U.S. Department of Education's (Department) regulations use the term "weighted average cohort rate" for rates for schools with student borrowers who have both FFEL Program and Direct Loan Program loans entering repayment during a cohort period. This Guide uses the term "Dual-Program cohort rate" to describe the same rate and calculation. In addition, this Guide uses the term "cohort default rate" to refer to a school's FFEL Program cohort default rate, Direct Loan Program cohort rate, or Dual-Program cohort rate, unless otherwise specified.

Which types of loans are included in the cohort default rate calculation?

The cohort default rate does not include all types of FFEL Program and/or Direct Loan Program loans.

The **FFEL Program loans included** in the cohort default rate calculation are:

- Subsidized Federal Stafford Loans (FFEL Stafford Loans);
- Unsubsidized Federal Stafford Loans (FFEL Stafford Loans);

AND

- Federal Supplemental Loans for Students (Federal SLS Loans).

The **Direct Loan Program loans included** in the cohort default rate calculation are:

- Federal Direct Subsidized Stafford Loans (Direct Loan Stafford Loans);
- AND
- Federal Direct Unsubsidized Stafford Loans (Direct Loan Stafford Loans).

The following **loans are NOT included** in the cohort default rate calculation:

- PLUS Loans;
- Federal Direct PLUS Loans;
- Federal Insured Student Loans;
- AND
- Federal Perkins Program Loans.

**Note**

Federal Consolidation Loans and Federal Direct Consolidation Loans are not counted directly in the cohort default rate calculation. However, the status of a consolidation loan may affect how the loan(s) that was paid off by the consolidation loan is included in the cohort default rate calculation. Please refer to page 19 for more information on consolidation loans.

When are cohort default rates released?

The Department releases cohort default rates twice a year. Generally, the Department releases **draft** cohort default rates during the spring. The Department releases **official** cohort default rates approximately six months after the release of the draft cohort default rates.

Who receives cohort default rates?

The **draft** cohort default rates are released to all schools that the Department's records indicate:

- were participating in the FFEL Program and/or Direct Loan Program on the first day of the fiscal year for which the cohort default rate is based and may or may not have student borrowers who entered into repayment during the cohort period in question;
- OR
- have at one time participated in the loan programs and have student borrowers that entered into repayment on the relevant FFEL Program and/or Direct Loan Program loans during the cohort period in question.

The **draft** cohort default rates are NOT released to the public.

The **official** cohort default rates are released to all schools that:

- are participating in any of the Title IV Student Financial Assistance Programs and have student borrowers who entered into repayment on the relevant FFEL Program and/or Direct Loan Program loans during the cohort period in question;
- OR
- were participating in the FFEL Program and/or Direct Loan Program on the first day of the fiscal year for which the cohort default rate is based and may or may not have student borrowers who entered into repayment during the cohort period in question.

The **official** cohort default rates are released to the public. The public can request a listing of all of the official cohort default rates in the form of a press package. The press package also contains a listing of those schools subject to sanctions as a result of cohort default rates. For a copy of the press package, please call 202-708-9396 or visit the Department's website at <http://www.ifap.ed.gov>.

Please refer to the section entitled "Effects of Official Cohort Default Rates" on page 25 for more information on the sanctions that a school may be subject to if its official cohort default rate(s) reaches certain levels.



When the Department provides a school with a cohort default rate the school will also receive a report listing all of the student borrowers contained in the cohort default rate calculation and a copy of the most recent *Cohort Default Rate Guide*.

Why are cohort default rates important?

Although there are no sanctions or consequences associated with a **draft** cohort default rate, it is important to review the data used to calculate the draft cohort default rate to ensure the accuracy of the data. The data used to calculate the draft cohort default rate forms the basis of a school's official cohort default rate. A school that fails to ensure the accuracy of its draft cohort default rate data through a draft data challenge may not be able to do so after the release of the official cohort default rates. Therefore, it is critical that schools review the draft cohort default rate data. In addition, because a school may avoid the consequences associated with its official cohort default rates by submitting a successful participation rate index challenge based on its cohort default rate, the school should review its enrollment data to determine if it qualifies to submit a participation rate index challenge.

Please refer to the *Draft Cohort Default Rate Guide* for more information on draft cohort default rates.

The **official** cohort default rates are important because they may affect a school's eligibility to participate in certain Title IV Student Financial Assistance Programs and because the Department may take administrative actions against a school on the basis of its official cohort default rate(s).

Please refer to the "Effects of Official Cohort Default Rates" section beginning on page 25 for more information on the administrative actions the Department may initiate against a school due to official cohort default rates.

How does the Department calculate a school's cohort default rate?

The formula the Department uses for calculating a school's cohort default rate depends on the number of student borrowers from that school entering repayment in a particular fiscal year (FY). The formulas and sample calculations are shown on the next five pages.

Q . What is a draft data challenge?

A . A draft data challenge is the process used by a school to correct cohort default rate data before the *official* cohort default rates are calculated.

Please refer to the Department's *FY 1997 Draft Cohort Default Rate Guide* for additional information on draft data challenges.

Non-Average Calculation: For a school with **30 or more borrowers** entering repayment during FY 1997, the FY 1997 cohort default rate is calculated as follows:⁵

100

X

the number of **borrowers** who entered repayment in FY 1997 and who defaulted or met **other specified conditions** in FY 1997 or FY 1998 (Numerator)

the number of **borrowers** who entered repayment in FY 1997 (Denominator)

Note

Other specified conditions: For non-degree granting proprietary schools only, borrowers who have received Direct Loan Program loans are treated as defaulted loans in the schools' rates if, for 270 days during the cohort period in question, the borrowers are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan.

Q . Are cohort default rates based on the number of **loans** that enter repayment or the number of **borrowers** that enter repayment?

A . Cohort default rates are based on the number of unduplicated **borrowers** that enter repayment.


Non-Average Example: School A, a degree granting school, certified 117 loans for **90 borrowers** that entered repayment in FY 1997 (denominator). Of those borrowers, **8 borrowers** defaulted on a total of 16 loans in FY 1997 or FY 1998 (numerator). School A's cohort default rate is calculated by dividing 8 by 90 and multiplying the result by 100 to produce a cohort default rate of 8.9 percent.

$$100 \times \frac{8}{90} = 8.9$$

⁵ 34 CFR § 668.17(d), (e), and (f)

Average Calculation: For a school with **29 or fewer borrowers** entering repayment during FY 1997 that had cohort default rates calculated for the two previous years, the Department calculates an **average cohort default rate**. The FY 1997 average cohort default rate is calculated as follows:⁶

100	X	the number of borrowers who entered repayment in FY 1995, FY 1996, and FY 1997 and who defaulted or met other specified conditions before the end of the fiscal year immediately following the fiscal year in which the loan entered repayment (Numerator)
		the number of borrowers who entered repayment in FY 1995, FY 1996, and FY 1997 (Denominator)


Note

Other specified conditions: For non-degree granting proprietary schools only, borrowers who have received Direct Loan Program loans are treated as defaulted loans in the schools' rates if, for 270 days during the cohort period in question, the borrowers are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan.

The following page provides an example of an average cohort default rate.

⁶ 34 CFR § 668.17(d), (e), and (f)


Average Example: School B, a degree-granting school, certified loans for the following students: 50 borrowers that entered repayment in FY 1995, 44 borrowers that entered repayment in FY 1996, and 29 borrowers that entered repayment in FY 1997. $50+44+29=123$ (denominator). Of those 123 borrowers, 2 of the borrowers that entered repayment in FY 1995 defaulted in FY 1995 or FY 1996; 6 of the borrowers that entered repayment in FY 1996 defaulted in FY 1996 or FY 1997; and 4 of the borrowers that entered repayment in FY 1997 defaulted in FY 1997 or FY 1998. $2+6+4=12$ (numerator). School B's average cohort default rate is calculated by dividing 12 by 123 and multiplying the result by 100 to produce an average cohort default rate of 9.8 percent.


$$100 \times \frac{2 + 6 + 4}{50 + 44 + 29} = 9.8$$

FY95 FY96 FY97

Unofficial Calculation: For a school with **29 or fewer borrowers** entering repayment during FY 1997 that did not have a cohort default rate calculated for FY 1995 and/or FY 1996, the Department calculates an **unofficial cohort default rate**. The FY 1997 unofficial cohort default rate is calculated as follows:

100	X	the number of borrowers who entered repayment in FY 1997 and who defaulted or met other specified conditions in FY 1997 or FY 1998 (Numerator)
		the number of borrowers who entered repayment in FY 1997 (Denominator)

 **Note** *Other specified conditions:* For non-degree granting proprietary schools only, borrowers who have received Direct Loan Program loans are treated as defaulted loans in the schools' rates if, for 270 days during the cohort period in question, the borrowers are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan.

 **Note** Since an unofficial cohort default rate does not meet the statutory definition of a cohort default rate, it can not be used to determine sanctions or benefits.

The following page provides an example of an unofficial cohort default rate.

Unofficial Example: School C, a degree-granting school that began participating in the FFEL Program on October 1, 1995, certified loans for the following students: 10 borrowers that entered repayment in FY 1996, and 21 borrowers that entered repayment in FY 1997. Of those borrowers, 0 of the borrowers that entered repayment in FY 1996 defaulted in FY 1996 or FY 1997; and 2 of the borrowers that entered repayment in FY 1997 defaulted in FY 1997 or FY 1998. Because School C has 29 or fewer borrowers who entered repayment in FY 1997, a non-average cohort default rate cannot be calculated for the school. However, because the school was not participating in the FFEL Program in FY 1995 and as a result did not have a cohort default rate calculated for FY 1995, School C does not have two previous rates with which to average its current year data. Therefore, School C's cohort default rate is calculated based on one year of data by dividing 2 by 21 and multiplying the result by 100 to produce an unofficial cohort default rate of 9.5 percent.

$$100 \times \frac{2}{21} = 9.5$$

What are the time frames of a cohort period?

The time frames for a cohort period are based on federal fiscal years. Federal fiscal years begin on October 1 of a calendar year and end on September 30 of the following calendar year.⁷

Except for schools with 29 or fewer borrowers entering repayment, the cohort default rate is based on the number of borrowers who **entered repayment in a single fiscal year** (this is the denominator of the calculation), and of these borrowers, the number of borrowers who **defaulted or met other specified conditions in a two-year period** (this is the numerator of the calculation).⁸ The cohort default rate for FY 1997 is based on the number of borrowers who entered repayment in **FY 1997** and of those borrowers, the number who defaulted or met other specified conditions in **FY 1997** or **FY 1998**. Therefore, the borrowers who entered repayment from October 1, 1996, through September 30, 1997, are included in the denominator of the FY 1997 cohort default rate calculation. Of those borrowers, the borrowers who defaulted or met other specified conditions from October 1, 1996, through September 30, 1998, are included in the numerator of the FY 1997 cohort default rate calculation.

Please refer to the chart on the next page for a listing of cohort periods and the loans included in the cohort default rate calculation.

⁷ 34 CFR § 668.17(d)(2)

⁸ 34 CFR § 668.17(d), (e), and (f)

The following chart outlines seven cohort periods and the borrowers included in the cohort default rate calculations.

Cohort Period Time Frames		
Cohort Period	Loans Included in the Cohort Default Rate Calculation⁹	Period of Time
FY 1993	Borrowers who entered repayment on their loans in FY 1993 and defaulted in FY 1993 or FY 1994 Borrowers who entered repayment on their loans in FY 1993	<u>10/1/92 to 9/30/94</u> 10/1/92 to 9/30/93
FY 1994	Borrowers who entered repayment on their loans in FY 1994 and defaulted in FY 1994 or FY 1995 Borrowers who entered repayment on their loans in FY 1994	<u>10/1/93 to 9/30/95</u> 10/1/93 to 9/30/94
FY 1995	Borrowers who entered repayment on their loans in FY 1995 and defaulted in FY 1995 or FY 1996 Borrowers who entered repayment on their loans in FY 1995	<u>10/1/94 to 9/30/96</u> 10/1/94 to 9/30/95
FY 1996	Borrowers who entered repayment on their loans in FY 1996 and defaulted in FY 1996 or FY 1997 Borrowers who entered repayment on their loans in FY 1996	<u>10/1/95 to 9/30/97</u> 10/1/95 to 9/30/96
FY 1997	Borrowers who entered repayment on their loans in FY 1997 and defaulted in FY 1997 or FY 1998 Borrowers who entered repayment on their loans in FY 1997	<u>10/1/96 to 9/30/98</u> 10/1/96 to 9/30/97
FY 1998	Borrowers who entered repayment on their loans in FY 1998 and defaulted in FY 1998 or FY 1999 Borrowers who entered repayment on their loans in FY 1998	<u>10/1/97 to 9/30/99</u> 10/1/97 to 9/30/98
FY 1999	Borrowers who entered repayment on their loans in FY 1999 and defaulted in FY 1999 or FY 2000 Borrowers who entered repayment on their loans in FY 1999	<u>10/1/98 to 9/30/00</u> 10/1/98 to 9/30/99

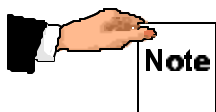
⁹ For the FY 1995, FY 1996, FY 1997, FY 1998, and FY 1999 cohort periods, for non-degree granting proprietary schools only, students who have received Direct Loan Program loans are included as defaulted loans in the schools' rates if, for 270 days within the cohort period in question, the students are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan.

How does the Department determine which loans are placed in the denominator of the calculation?

Loans are included in the denominator of the cohort default rate based on when the loan entered repayment. Loans included in the denominator of the non-average and unofficial FY 1997 cohort default rate calculation are FFEL Program and Direct Loan Program loans that entered repayment during FY 1997 (i.e., between October 1, 1996 and September 30, 1997).

Different loan types enter repayment under different rules.

FFEL Program Stafford Loans enter repayment on the day following six months of an uninterrupted grace period after a student drops below at least half-time enrollment.



If the loan was converted into repayment before March 1, 1996, the repayment date for FFEL Program Stafford Loans may be date-specific (for example, 2/16/1996) or month-specific (for example, 2/1996). On or after March 1, 1996, the repayment date is date-specific.

Direct Loan Program Stafford Loans enter repayment on the day following six months of an uninterrupted grace period after a student drops below at least half-time enrollment. Unlike FFEL Program loans, the date entered repayment for Direct Loan Program loans was always date specific.

For any Federal SLS Loan that was not reported in a cohort period prior to FY 1993, the following definitions apply:

- If a student has a Federal SLS Loan and an FFEL Program Stafford Loan that were both obtained in the same period of continuous enrollment, the date entered repayment for the Federal SLS Loan is the same as the date entered repayment for the FFEL Program Stafford Loan.
- OR
- In all other instances, the date entered repayment for the Federal SLS Loan is the day following the day a student is no longer enrolled on at least a half-time basis.

Q . When will a borrower enter repayment if the borrower re-enrolls in an eligible school prior to the expiration of the borrower's grace period?

A . The borrower will not enter repayment until the borrower has received six consecutive months of uninterrupted grace.

Q . If a borrower requests a forbearance, will the student's date entered repayment change?

A . No, once a borrower has entered into repayment a forbearance will not alter the borrower's date entered repayment.

Under the guidelines shown on the previous page for Federal SLS Loans, which were implemented beginning with the FY 1993 cohort default rates, a loan that was reported as having entered repayment prior to FY 1993 might also meet the criteria to be included in FY 1993 or later. To prevent the possibility of double-counting loans, any Federal SLS Loan that was reported in a cohort period prior to FY 1993 will not be reported again.



Please refer to the list of special circumstances affecting the cohort default rate calculation beginning on page 18.

How does the Department determine which loans are placed in the numerator of the calculation?

Loans must first be included in the denominator of a cohort default rate calculation in order to be included in the numerator of the cohort default rate calculation.

Q . The 1998 Amendments of the HEA changed the definition of default from 180 days of delinquency to 270 days of delinquency. How does the change affect the FY 1997 cohort default rate?

A . The change in the definition of default did not become effective until October 7, 1998, which is outside the time period for the FY 1997 cohort period. Therefore, the change in the definition of default does not affect the FY 1997 cohort default rate.

For FFEL Program loans, only defaulted loans are included in the numerator of the calculation. For **cohort default rate purposes**, a loan is considered to be in default only if the guaranty agency has paid a default claim on the loan to the lender.¹⁰ The date the guaranty agency reimburses the lender for the defaulted loan (the claim paid date or CPD) is used to determine if the loan will be placed in the numerator of the calculation. If the claim paid date falls within the same fiscal year in which the loan entered repayment or the next fiscal year, the loan will be included in the numerator of the cohort default rate calculation.

For Direct Loan Program loans, loans are included in the numerator of the cohort default rate calculation when a student defaults. For **cohort default rate purposes**, a Direct Loan Program loan is considered to be in default on the 271st day of delinquency.¹¹ If the 271st day of delinquency falls within the same fiscal year in which the loan entered repayment or the next fiscal year, the loan will be included in the numerator of the cohort default rate calculation.

¹⁰ 34 CFR § 668.17(d)(1)(i)(C)

¹¹ 34 CFR § 668.17(e)(3) and (f)(3) (published December 1, 1995)

In addition, for non-degree granting proprietary schools only, students who have received Direct Loan Program loans are included as defaulted loans in the schools' rates if the borrowers are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan for 270 days. If the 271st day of the income contingent repayment falls within the same fiscal year in which the loan entered repayment or the next fiscal year, the loan will be included in the numerator of the cohort default rate calculation.

This table summarizes the date used to determine if a loan is included in the numerator of the cohort default rate calculation.

In the Numerator (for Cohort Default Rate Purposes)		
	FFEL Program Loans	Direct Loan Program Loans
Non-Degree-Granting Proprietary Schools	Date the insurance claim is paid	271 st day of delinquency OR 271 st day of monthly payments on the ICR plan that are less than 15 dollars per month and less than the interest accruing on the loan
Other Schools	Date the insurance claim is paid	271 st day of delinquency


Note

Please note that a loan is never included in the numerator of the cohort default rate calculation unless it is also included in the denominator of the cohort default rate calculation. In addition, a loan will NOT be included in the numerator of the cohort default rate calculation unless the date noted in the chart above falls within the fiscal year the loan entered repayment or the next fiscal year.

Please refer to the list of special circumstances affecting the cohort default rate calculation beginning on page 18.

The Department frequently receives questions about special circumstances that may affect how a particular loan is considered in calculating a cohort default rate. The following table addresses many of these situations.

Special Circumstances Affecting How Cohort Default Rates are Calculated		
If...	Then...	And...
A borrower had more than one loan enter repayment during the same fiscal year	The borrower should be included in the denominator of the cohort default rate calculation in which the loan entered repayment. Cohort default rates are calculated based on an unduplicated borrower count. Therefore, if a borrower has more than one loan entering repayment in a single fiscal year, that borrower will only be counted once in the cohort default rate calculation.	The borrower should be included in the numerator of the cohort default rate calculation if the loan defaulted or met other specified conditions within the fiscal year in which the loan entered repayment or within the next fiscal year.
A borrower has two or more separate loans and the repayment dates for each of the loans fall into separate cohort periods	The borrower should be included in the denominators of the cohort default rate calculation in which the loans entered repayment. The same borrower can appear in two different cohort periods if the borrower has two separate loans and the repayment dates for each of the loans fall into separate fiscal years. However, the same loan cannot be used in more than one cohort period.	The borrower should be included in the numerators of the cohort default rate calculation if the loans defaulted or met other specified conditions within the fiscal year in which the loans entered repayment or within the next fiscal year.

Special Circumstances Affecting How Cohort Default Rates are Calculated		
If...	Then...	And...
A borrower consolidated one or more of his/her loans	The borrower should be included in the denominator(s) of the cohort default rate calculation in which the underlying loan(s) entered repayment.	If the consolidation loan defaulted or met other specified conditions within the fiscal year in which the underlying loan(s) entered repayment or within the next fiscal year, then the borrower should be included in the numerator(s) of the cohort default rate calculation(s).
A borrower takes out loans at more than one school	The loans obtained for attendance at one school are included in the denominator of that school's cohort default rate calculation and the loans obtained for attendance at any other schools are included in the denominator of the other school's cohort default rate calculation.	The loans obtained for attendance at one school are included in the numerator of that school's cohort default rate calculation and the loans obtained for attendance at the other schools are included in the numerator of the other school's cohort default rate calculation provided the loans default or meet other specified conditions within the fiscal year the loans entered repayment or within the next fiscal year.

Special Circumstances Affecting How Cohort Default Rates are Calculated		
If...	Then...	And...
A borrower entered repayment on a loan and defaulted on the loan in the fiscal year the loan entered repayment or the next fiscal year, but the loan was then discharged due to death, bankruptcy, and/or disability ¹²	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year the loan entered repayment.	The borrower should be included in the numerator of the cohort default rate calculation because the loan defaulted within the fiscal year the loan entered repayment or the next fiscal year <u>and</u> the loan defaulted prior to the death, bankruptcy, and/or disability.
Prior to default, the borrower's loan was discharged due to death, bankruptcy, and/or disability	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year the loan entered repayment.	The borrower should NOT be included in the numerator of the cohort default rate calculation because the loan did not default prior to the death, bankruptcy, and/or disability.
A payment is made on a loan by the school, its owner, agent, or another entity or individual affiliated with the school to avoid default by the borrower ¹³	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year the loan entered repayment.	The borrower should be included in the numerator of the cohort default rate calculation because the loan is treated as in default for cohort default rate purposes.

¹² 34 CFR § 682.402 and 685.212

¹³ HEA § 435(m)(2)(B), 34 CFR § 668.17(d)(1)(ii)(B), (e)(2)(ii), and (f)(2)(ii)

Special Circumstances Affecting How Cohort Default Rates are Calculated		
If...	Then...	And...
A loan was fully refunded to the lender within 120 days of disbursement	The borrower should NOT be included in the denominator of the cohort default rate calculation because cancelled loans are not included in the cohort default rate calculation.	The borrower should NOT be included in the numerator of the cohort default rate calculation because cancelled loans are not included in the cohort default rate calculation.
A borrower defaulted on a loan but it was rehabilitated before the end of the cohort period in which the borrower entered repayment ¹⁴	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year the loan entered repayment.	The borrower should NOT be included in the numerator of the cohort default rate calculation because the loan is not considered in default.
A borrower paid the loan in-full after defaulting on the loan and the borrower did not successfully rehabilitate his/her loan before the end of the cohort period in which the borrower entered repayment	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year the loan entered repayment.	The borrower should be included in the numerator of the cohort default rate calculation because the loan defaulted within the fiscal year the loan entered repayment or the next fiscal year prior to the loan being paid in-full and it was not rehabilitated during the relevant cohort period.

¹⁴ HEA § 428 F (a), 435(m)(2)(C), and 34 CFR § 682.405(a) An FFEL Program loan is rehabilitated if a borrower has made 12 consecutive on-time monthly payments before the end of the cohort period in which the student entered repayment and the loan is sold to a lender. HEA § 451(b)(2), 455(a)(1), and 34 CFR § 685.211(e) A Direct Loan Program loan is rehabilitated if a borrower has made 12 consecutive on-time monthly payments before the end of the cohort period in which the borrower entered repayment.

Special Circumstances Affecting How Cohort Default Rates are Calculated		
If...	Then...	And...
A borrower paid the loan in-full prior to the date the student was originally scheduled to enter repayment	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year that the borrower paid the loan in-full. The paid in-full date becomes the new repayment date.	The borrower should NOT be included in the numerator of the cohort default rate calculation because the loan never defaulted.
A borrower requested and was granted a repayment schedule that started before the date the student was originally scheduled to enter repayment	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year that the early repayment schedule start date falls.	The borrower should NOT be included in the numerator of the cohort default rate calculation if the loan did not default.
A lender repurchases a loan because the guaranty agency determined that the lender failed to meet the insurance requirements	The loan should NOT be included in the denominator of the cohort default rate calculation because uninsured loans are not included in cohort default rate calculations.	The loan should NOT be included in the numerator of the cohort default rate calculation because uninsured loans are not included in cohort default rate calculations.
A lender repurchases a loan because it incorrectly submitted the loan to the guaranty agency AND the lender immediately requested that the loan be returned AND did not subsequently submit another claim	The loan should be included in the denominator of the cohort default rate calculation based on the fiscal year the loan entered repayment.	The loan should NOT be included in the numerator of the cohort default rate calculation because the loan is not a defaulted loan.

Special Circumstances Affecting How Cohort Default Rates are Calculated		
If...	Then...	And...
<p>A lender repurchases a loan because it incorrectly submitted the loan to the guaranty agency and the lender immediately requested that the loan be returned AND then the lender subsequently submits another claim on the loan and that claim is paid within the cohort period the loan entered repayment</p>	<p>The loan should be included in the denominator of the cohort default rate calculation based on the fiscal year the loan entered repayment.</p>	<p>The loan should be included in the numerator of the cohort default rate calculation because the loan is considered a defaulted loan.</p>
<p>A lender repurchases a loan because the borrower established a new payment plan and is making payments, or the lender/servicer simply requests the repurchase (i.e., a courtesy repurchase) AND the loan does not meet the rehabilitation criteria discussed on page 21.</p>	<p>The loan should be included in the denominator of the cohort default rate calculation based on the fiscal year the loan entered repayment.</p>	<p>The loan should be included in the numerator of the cohort default rate calculation because the loan is considered a defaulted loan for cohort default rate purposes.</p>

How do adding and subtracting loans from the cohort default rate calculation affect a school's cohort default rate?

The following chart describes the effect the movement of a loan has on a cohort default calculation.

Key	
Code	Description
CDR	Cohort Default Rate
N	Numerator
D	Denominator
B	Both Numerator and Denominator

Results of Adding and Subtracting Loans		
Are there other loans for the same borrower that are CORRECTLY included in the cohort default rate calculation?	And the Department...	Then the following change to the cohort default rate results:
If the borrower has no other loans in the CDR calculation	Adds a defaulted loan	+B
	Adds a non-defaulted loan	+D
	Subtracts a defaulted loan	-B
	Subtracts a non-defaulted loan	-D
	Changes a defaulted loan to a non-defaulted loan	-N
If the borrower has other non-defaulted loan(s) in the CDR calculation	Adding a defaulted loan	+N
	Adding a non-defaulted loan	No effect
	Subtracting a non-defaulted loan	No effect
If the borrower has other defaulted loan(s) in the CDR calculation	Adding a defaulted loan	No effect
	Adding a non-defaulted loan	No effect
	Subtracting a defaulted loan	No effect
	Subtracting a non-defaulted loan	No effect



Note

The loan record detail report data will not change as a result of a change in a school's cohort default rate. However, the Department will manually change a school's cohort default rate based upon the resolution of an appeal submitted after the release of the official cohort default rates.